

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-01537A
Shepard Water Company
10430 N. Martinez Lake Rd.
Yuma, AZ 85365

RECEIVED

MAY 23 2007

AZ CORP COMM
Director Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2006
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FOR COMMISSION USE

ANN 04	06
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PROCESSED BY:

5-8-07

SCANNED

COMPANY INFORMATION

Company Name (Business Name) <u>Shepard Water Company</u>			
Mailing Address <u>10430 N. Martinez Lake Rd.</u>			
(Street)			
<u>Yuma</u>	<u>AZ</u>	<u>85365</u>	
(City)	(State)	(Zip)	
<u>928-783-9589</u>	<u>928-782-3360</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>info@martinezlake.com</u>			
Local Office Mailing Address <u>10430 N. Martinez Lake Rd.</u>			
(Street)			
<u>Yuma</u>	<u>AZ</u>	<u>85365</u>	
(City)	(State)	(Zip)	
<u>928-783-9589</u>	<u>928-782-3360</u>		
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address _____			

MANAGEMENT INFORMATION

Management Contact: <u>John W. Guth</u>		<u>President</u>	
(Name)		(Title)	
<u>10430 N. Martinez Lake Rd.,</u>	<u>Yuma</u>	<u>AZ</u>	<u>85365</u>
(Street)	(City)	(State)	(Zip)
<u>928-783-9589</u>	<u>928-782-3360</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>info@martinezlake.com</u>			
On Site Manager: <u>Lili Whitford</u>			
(Name)			
<u>10430 N. Martinez Lake Rd.,</u>	<u>Yuma</u>	<u>AZ</u>	<u>85365</u>
(Street)	(City)	(State)	(Zip)
<u>928-783-9589</u>	<u>928-782-3360</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>info@martinezlake.com</u>			

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Wade Noble

(Name)

1405 W. 16th St.

(Street)

Yuma

(City)

AZ

(State)

85364

(Zip)

928-343-9947

Telephone No. (Include Area Code)

928-343-9483

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: Wade Noble

(Name)

1405 W. 16th St.

(Street)

Yuma

(City)

AZ

(State)

85364

(Zip)

928-343-9947

Telephone No. (Include Area Code)

928-343-9483

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☒ YUMA

☐ STATEWIDE

COMPANY NAME Shepard Water Company

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	708		708
302	Franchises	2,708		2,708
303	Land and Land Rights	250		250
304	Structures and Improvements	2,257	1,501	756
307	Wells and Springs	4,424	4,424	-
311	Pumping Equipment	12,581	9,002	3,579
320	Water Treatment Equipment	2,630	2,630	-
330	Distribution Reservoirs and Standpipes	8,141	8,022	119
331	Transmission and Distribution Mains	5,796	5,796	-
333	Services	7,205	7,205	-
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	879	93	786
340	Office Furniture and Equipment	509	297	212
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment	442	442	-
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	48,530	39,412	9,118

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME **Shepard Water Company**

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	708		
302	Franchises	2,708		
303	Land and Land Rights	250		
304	Structures and Improvements	2,257		
307	Wells and Springs	4,424		
311	Pumping Equipment	12,581	6.06	762
320	Water Treatment Equipment	2,630		
330	Distribution Reservoirs and Standpipes	8,141		
331	Transmission and Distribution Mains	5,796		
333	Services	7,205		
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	879	2.00	18
340	Office Furniture and Equipment	509	10.00	51
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment	442		
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	48,530		831

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

COMPANY NAME Shepard Water Company

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 6,466	\$ 3,977
134	Working Funds , Undisbursed WIFA loan	295,575	295,575
135	Temporary Cash Investments		
141	Customer Accounts Receivable	3,349	4,308
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments	3,951	887
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 309,341	\$ 304,747
	FIXED ASSETS		
101	Utility Plant in Service	\$ 48,530	\$ 48,530
103	Property Held for Future Use		
105	Construction Work in Progress	7,700	59,500
108	Accumulated Depreciation – Utility Plant	(38,581)	(39,412)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 17,649	\$ 68,618
	Other Assets	37,737	43,062
	TOTAL ASSETS	\$ 364,727	\$ 416,427

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

Construction Work in Progress detail,engineering	<u>12/31/05</u>	<u>12/31/06</u>
Water Arsenic Reduction Project	\$ 5,000	\$ 5,000
Water Facilities Project Design	<u>2,700</u>	<u>54,500</u>
	<u>\$ 7,700</u>	<u>\$ 59,500</u>

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$	\$ 1,090
232	Notes Payable (Current Portion)	26,628	26,628
234	Notes/Accounts Payable to Associated Companies	50,000	118,956
235	Customer Deposits		
236	Accrued Taxes	6,330	6,330
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	2,521	3,168
	TOTAL CURRENT LIABILITIES	\$ 85,479	\$ 156,172
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 182,077	\$ 155,449
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax	615	502
	TOTAL DEFERRED CREDITS	\$ 615	\$ 502
	TOTAL LIABILITIES	\$ 268,171	\$ 312,123
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 1,000	\$ 1,000
211	Paid in Capital in Excess of Par Value	6,096	6,096
215	Retained Earnings	89,460	97,208
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 96,556	\$ 104,304
	TOTAL LIABILITIES AND CAPITAL	\$ 364,727	\$ 416,427

COMPANY NAME Shepard Water Company

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 5,259	\$ 5,347
460	Unmetered Water Revenue	43,759	43,692
474	Other Water Revenues - Surcharge	3,355	13,420
	TOTAL REVENUES	\$ 52,373	\$ 62,459
	OPERATING EXPENSES		
601	Salaries and Wages	\$	\$
610	Purchased Water		
615	Purchased Power	1,301	1,585
618	Chemicals		
620	Repairs and Maintenance	20	1,447
621	Office Supplies and Expense	1,299	1,496
630	Outside Services	10,920	10,920
635	Water Testing	7,327	3,786
641	Rents		
650	Transportation Expenses		
657	Insurance - General Liability	3,881	3,879
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case		8,386
675	Miscellaneous Expense	8,904	12,343
403	Depreciation Expense	760	831
408	Taxes Other Than Income	90	911
408.11	Property Taxes	2,891	2,692
409	Income Tax	2,096	5,893
	TOTAL OPERATING EXPENSES	\$ 39,489	\$ 54,169
	OPERATING INCOME/(LOSS)	\$ 12,884	\$ 8,290
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		218
426	Miscellaneous Non-Utility Expenses	(243)	
427	Interest Expense	(1,439)	(760)
	TOTAL OTHER INCOME/(EXPENSE)	\$ (1,682)	\$ (542)
	NET INCOME/(LOSS)	\$ 11,202	\$ 7,748

COMPANY NAME Shepard Water Company

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	1/25/02			
Source of Loan	State of AZ WIFA			
ACC Decision No.	62091			
Reason for Loan	Water treatment facility			
Dollar Amount Issued	\$ 299,475	\$	\$	\$
Amount Outstanding	\$ 182,077	\$	\$	\$
Date of Maturity	1/1/22			
Interest Rate	None %	%	%	%
Current Year Interest	\$ -0-	\$	\$	\$
Current Year Principle	\$ 26,628	\$	\$	\$

Meter Deposit Balance at Test Year End	\$ -0-
--	--------

Meter Deposits Refunded During the Test Year	\$ -0-
--	--------

COMPANY NAME	Shepard Water Company
Name of System	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-616951	5 HP	80		8	2	
55-619952	5 HP	80		8	2	

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
None			

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
5,000	1	3,000	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME	Shepard Water Company
Name of System	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6		
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME Shepard Water Company YEAR ENDING 12/31/2006

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2006 was: \$ 2,692.40

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

78294736

PAGE 3 of 3

1091
SHEPARD WATER COMPANY
P.O. BOX 11
TOLSON, ARIZONA
DATE 10-06-06
\$8,175.00
DOLLARS & CENTS
FRANK YUMA
FOR DEPOSIT ONLY
POSTAL SERVICE
POSTAGE WILL BE PAID BY ADDRESSEE
PERMIT NO. 115000

#1091 Posted 10/06/06 \$8,175.00

1092
SHEPARD WATER COMPANY
P.O. BOX 11
TOLSON, ARIZONA
DATE 9-28-06
\$25.80
DOLLARS & CENTS
FRANK YUMA
FOR DEPOSIT ONLY
POSTAL SERVICE
POSTAGE WILL BE PAID BY ADDRESSEE
PERMIT NO. 115000

#1092 Posted 10/05/06 \$25.80

1093
SHEPARD WATER COMPANY
P.O. BOX 11
TOLSON, ARIZONA
DATE 10-16-06
\$700.00
DOLLARS & CENTS
FRANK YUMA
FOR DEPOSIT ONLY
POSTAL SERVICE
POSTAGE WILL BE PAID BY ADDRESSEE
PERMIT NO. 115000

#1093 Posted 10/24/06 \$700.00

1094
SHEPARD WATER COMPANY
P.O. BOX 11
TOLSON, ARIZONA
DATE 10-16-06
\$210.00
DOLLARS & CENTS
FRANK YUMA
FOR DEPOSIT ONLY
POSTAL SERVICE
POSTAGE WILL BE PAID BY ADDRESSEE
PERMIT NO. 115000

#1094 Posted 10/20/06 \$210.00

1095
SHEPARD WATER COMPANY
P.O. BOX 11
TOLSON, ARIZONA
DATE 10-18-06
\$317.66
DOLLARS & CENTS
FRANK YUMA
FOR DEPOSIT ONLY
POSTAL SERVICE
POSTAGE WILL BE PAID BY ADDRESSEE
PERMIT NO. 115000

#1095 Posted 10/23/06 \$317.66

1096
SHEPARD WATER COMPANY
P.O. BOX 11
TOLSON, ARIZONA
DATE 10-18-06
\$150.00
DOLLARS & CENTS
FRANK YUMA
FOR DEPOSIT ONLY
POSTAL SERVICE
POSTAGE WILL BE PAID BY ADDRESSEE
PERMIT NO. 115000

#1096 Posted 10/24/06 \$150.00

1097
SHEPARD WATER COMPANY
P.O. BOX 11
TOLSON, ARIZONA
DATE 10-25-06
\$2,692.40
DOLLARS & CENTS
FRANK YUMA
FOR DEPOSIT ONLY
POSTAL SERVICE
POSTAGE WILL BE PAID BY ADDRESSEE
PERMIT NO. 115000

#1097 Posted 10/25/06 \$2,692.40

1098
SHEPARD WATER COMPANY
P.O. BOX 11
TOLSON, ARIZONA
DATE 10-26-06
\$150.00
DOLLARS & CENTS
FRANK YUMA
FOR DEPOSIT ONLY
POSTAL SERVICE
POSTAGE WILL BE PAID BY ADDRESSEE
PERMIT NO. 115000

#1098 Posted 10/26/06 \$150.00

1099
SHEPARD WATER COMPANY
P.O. BOX 11
TOLSON, ARIZONA
DATE 10-26-06
\$104.49
DOLLARS & CENTS
FRANK YUMA
FOR DEPOSIT ONLY
POSTAL SERVICE
POSTAGE WILL BE PAID BY ADDRESSEE
PERMIT NO. 115000

#1099 Posted 10/26/06 \$104.49

**VERIFICATION
AND
SWORN STATEMENT
Taxes**

RECEIVED
MAY 9 3 2007
AZ CORP COMM
Director Utilities

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>Yuma</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>John Guth, President</u>
COMPANY NAME
<u>Shepard Water Company</u>

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

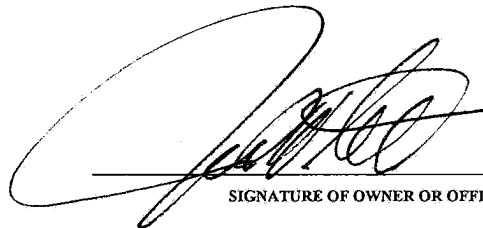
MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2006</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.


SIGNATURE OF OWNER OR OFFICIAL

928-783-9589

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

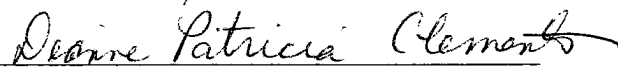
THIS 1st DAY OF



NOTARY PUBLIC
STATE OF ARIZONA
YUMA COUNTY

DIANNE PATRICIA CLEMENTS
My Commission Expires 10/12/10

COUNTY NAME	<u>Yuma, Arizona</u>
MONTH	<u>May</u>
	<u>.2007</u>



SIGNATURE OF NOTARY PUBLIC

10/12/2010

COMPANY NAME Shepard Water Company **YEAR ENDING 12/31/2006**

INCOME TAXES

* Per corporate tax returns, fiscal year ended September 30, 2006

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>26,775</u>
Estimated or Actual Federal Tax Liability	<u>4,016</u>

State Taxable Income Reported	<u>28,639</u>
Estimated or Actual State Tax Liability	<u>1,991</u>

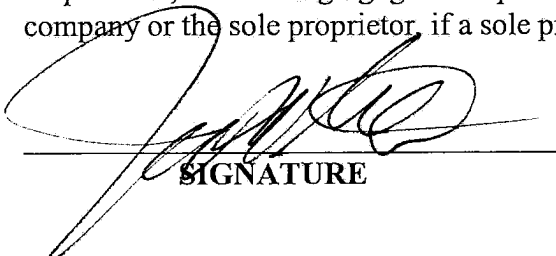
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u> </u>
Amount of Gross-Up Tax Collected	<u> </u>
Total Grossed-Up Contributions/Advances	<u> </u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.



SIGNATURE

May 1, 2007

DATE

John W. Guth

PRINTED NAME

President

TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED

MAY 03 2007

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>Yuma</u>	AZ CORP COMM
NAME (OWNER OR OFFICIAL) TITLE <u>John W. Guth</u>	Director Utilities
COMPANY NAME <u>Shepard Water Company</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 66,719

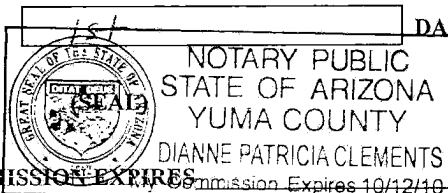
(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 4,260
IN SALES TAXES BILLED, OR COLLECTED)


****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 1st DAY OF





SIGNATURE OF OWNER OR OFFICIAL
928-783-9589

TELEPHONE NUMBER

COUNTY NAME <u>Yuma, Arizona</u>	
MONTH <u>May</u>	<u>2007</u>

Dianne Patricia Clements

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 10/12/2010

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE**
Intrastate Revenues Only

RECEIVED

MAY 9 8 2007

AZ CORP COMM
Director Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Yuma	
NAME (OWNER OR OFFICIAL) John W. Guth	TITLE President
COMPANY NAME Shepard Water Company	

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

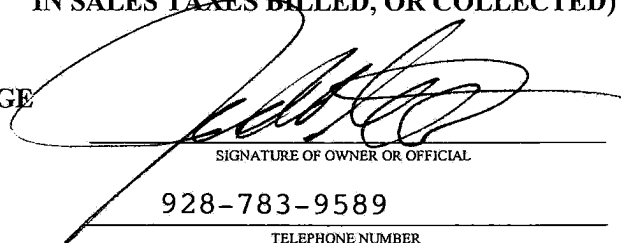
SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES \$ 61,668
--

THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 3,923
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.


SIGNATURE OF OWNER OR OFFICIAL
928-783-9589
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

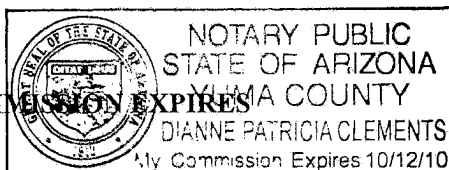
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 1st **DAY OF**

NOTARY PUBLIC NAME Dianne Patricia Clements	
COUNTY NAME Yuma, Arizona	
MONTH May	2007

(SEAL)

MY COMMISSION EXPIRES



x 
SIGNATURE OF NOTARY PUBLIC

SHEPARD WATER COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

CORRECTIONS TO FINANCIAL STATEMENTS

The December 31, 2005, financial statements issued May 26, 2006, contained errors.

Unmetered Water Revenue was originally reported to be \$51,211. The December 31, 2005, corrected amounts are Metered Water Revenue \$5,259, Unmetered Water Revenues \$43,759 and Surcharges of \$3,355, for a total of \$52,373. Total revenues increased \$1,162 and other income decreased \$1,162. Shepard Water Company started charging surcharges October 2005.

The original Statement of Income for the year ended December 31, 2005, reported net income of \$3,502 and deducted water testing expense of \$15,027. A subsequent review indicated water testing expense, included engineering costs that should be capitalized. The restated financial statements have capitalized engineering costs as follows: Water Arsenic Reduction Project \$5,000 and Water Facilities Project Design \$2,700.

The restated December 31, 2005, financial statements reflect net income of \$11,202, and the capitalized engineering costs are included in fixed assets, as Construction Work in Process.

Bill Clements

From: Renee De La Fuente [RDeLaFuente@azcc.gov]
Sent: Monday, April 02, 2007 3:22 PM
To: wmccpa@c2i2.com
Subject: Extension

Mr. Clements,

I just wanted to let you know that your request for extension to file 2006 Annual Report has been granted up to May 15, 2007. We do need to have it by then.

If you have any questions, please feel free to contact me. Thank you.



Renee de la Fuente
Annual Reports Administrator
Administrative Assistant III
Arizona Corporation Commission
Utilities Division
Phone: 602-364-0706
Fax: 602-542-2129

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this email message has been scanned to detect malicious content. If you experience problems,
please e-mail postmaster@azcc.gov
=====

4/3/2007

SHEPARD WATER COMPANY, INC.
BALANCE SHEETS
SEPTEMBER 30, 2006 AND 2005

A S S E T S

Current Assets:	2006	2005
Cash	\$ 6,520	\$ 3,193
Undisbursed loan proceeds, restricted	295,575	295,575
Accounts Receivable	4,217	3,418
Prepaid income taxes	637	2,897
	<hr/>	<hr/>
Total Current Assets	306,949	305,083
	<hr/>	<hr/>
Property and Equipment:		
Office equipment	509	509
Utility plant	44,355	44,355
	<hr/>	<hr/>
	44,864	44,864
Less: Accumulated depreciation	39,245	(38,360)
	<hr/>	<hr/>
	5,619	6,504
Land	250	250
	<hr/>	<hr/>
	5,869	6,754
	<hr/>	<hr/>
Other Assets:		
Franchise fee	2,708	2,708
Organization cost	708	708
Utility deposit	250	250
Utility plant acquisition adjustment	14,541	14,541
Debt service reserve, WIFA	22,190	16,864
Water rights, pending	5,000	5,000
Arsenic reduction project engineering	5,000	-
Facilities project design engineering	46,325	-
	<hr/>	<hr/>
	96,722	40,071
	<hr/>	<hr/>
Total Assets	\$ 409,540	\$ 351,908
	<hr/>	<hr/>

L I A B I L I T I E S A N D S H A R E H O L D E R S '
E Q U I T Y

Current Liabilities:	2006	2005
Current portion of long-term debt	\$ 26,628	\$ 26,628
Contract payable, engineering	20,300	-
Advance customer payments	957	883
Sales taxes payable	318	233
Income taxes payable	6,330	6,330
Interest payable	<u>1,225</u>	<u>1,225</u>
Total Current Liabilities	<u>55,758</u>	<u>35,299</u>
Long-term Debt:		
Note payable, net of current portion	162,106	188,734
Loan payable, stockholders'	81,800	40,000
Deferred tax liability	<u>501</u>	<u>615</u>
Total Long-Term Liabilities	<u>244,407</u>	<u>229,349</u>
Total Liabilities	<u>300,165</u>	<u>264,648</u>
Shareholders' Equity:		
Common stock	1,000	1,000
Other paid-in capital	6,096	6,096
Retained Earnings	<u>102,279</u>	<u>80,164</u>
	<u>109,375</u>	<u>87,260</u>
Total Liabilities and Shareholders' Equity	<u>\$ 409,540</u>	<u>\$ 351,908</u>

See Accountant's Compilation Report

SHEPARD WATER COMPANY, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2006		2005	
	Amount	Percent of Revenue	Amount	Percent of Revenue
Revenues:				
Water revenues	\$ 49,425	78.6	\$ 50,538	99.4
Surcharge fees	13,235	21.0	-	-
Other	243	.4	291	.6
	<u>62,903</u>	<u>100.0</u>	<u>50,829</u>	<u>100.0</u>
Cost of Revenue:				
Contract labor	8,400	13.4	8,400	16.5
Repairs	1,318	2.1	-	-
Supplies	31	.1	28	.1
Water testing	2,590	4.1	7,326	14.4
Depreciation	834	1.3	521	1.0
	<u>13,173</u>	<u>21.0</u>	<u>16,275</u>	<u>32.0</u>
Gross Profit	<u>49,730</u>	<u>79.0</u>	<u>34,554</u>	<u>68.0</u>
Operating Expenses:				
Accounting	8,327	13.2	8,457	16.6
Bank charges	188	.3	193	.4
Bookkeeping	2,520	4.0	2,520	5.0
Depreciation	51	.1	51	.1
Dues and subscriptions	100	.2	100	.2
Insurance	3,879	6.2	3,881	7.6
Interest	-	-	1,439	2.8
Licenses and permits	911	1.4	90	.2
Management fee	-	-	2,000	3.9
Miscellaneous	8	-	-	-
Office supplies	125	.2	185	.4
Penalties	-	-	243	.5
Postage and delivery	850	1.3	746	1.5
Property taxes	2,891	4.6	2,514	5.0
Travel	-	-	320	.6
Utilities	1,872	2.9	1,035	2.0
Cash shortages	-	-	238	.5
	<u>21,722</u>	<u>34.4</u>	<u>24,012</u>	<u>47.3</u>

Continued

SHEPARD WATER COMPANY, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005
Continued

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent of Revenue</u>
Income Before Income Taxes	<u>28,008</u>	<u>44.6</u>	<u>10,542</u>	<u>20.7</u>
Income Taxes:				
Deferred income tax	(114)	(.2)	392	.8
Current income taxes:				
Federal	4,016	6.4	1,140	2.2
State	<u>1,991</u>	<u>3.2</u>	<u>564</u>	<u>1.1</u>
	<u>5,893</u>	<u>9.4</u>	<u>2,096</u>	<u>4.1</u>
Net Income	<u>22,115</u>	<u>35.2</u>	<u>8,446</u>	<u>16.6</u>
Retained Earnings, beginning of year as previously reported	80,164		78,048	
Less corrections for Arizona state income taxes for the years ended:				
September 30, 2001	-		(5,102)	
September 30, 2002	<u>-</u>		<u>(1,228)</u>	
As restated	80,164		<u>71,718</u>	
Retained Earnings, end of year	<u>\$ 102,279</u>		<u>\$ 80,164</u>	

See Accountant's Compilation Report

SHEPARD WATER COMPANY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Net income	\$ 22,115	\$ 8,446
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	885	572
Deferred income taxes	(114)	392
Accounts receivable, increase	(799)	(1,650)
Prepaid income taxes, decrease, increase	2,260	(2,379)
Contract payable, engineering, increase	20,300	-
Advance customer payments, increase, decrease	74	(842)
Sales taxes payable, increase, decrease	85	(73)
Income taxes payable, decrease	-	(2,851)
Interest payable, increase	<u>-</u>	<u>1,225</u>
Net Cash Provided by Operating Activities	<u>44,806</u>	<u>2,840</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(3,069)
Debt service reserve, WIFA	(5,326)	(4,881)
Arsenic reduction project, engineering costs	(5,000)	-
Facilities project design engineering costs	<u>(46,325)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(56,651)</u>	<u>(7,950)</u>
Cash Flows from Financing Activities:		
New borrowings from shareholder	41,800	30,000
Reduction of WIFA debt by repayment	<u>(26,628)</u>	<u>(24,409)</u>
Net Cash Provided by Financing Activities	<u>15,172</u>	<u>5,591</u>
Net Increase in Cash	3,327	481
Cash at Beginning of Year	<u>3,193</u>	<u>2,712</u>
Cash at End of Year	<u>\$ 6,520</u>	<u>\$ 3,193</u>

See Accountant's Compilation Report